

**CORPORATE SOCIAL RESOPONSIBILITY {SECTION-135 OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (CSR POLICY) RULES, 2014}**

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1. **Applicability (Section-135(1)):** To every company which fulfils any of the following conditions in the immediately preceding financial year:
  - a. Having turnover of Rupee 1000 crore or more
  - b. Having net-worth of Rupee 500 crore or more
  - c. Having net worth of Rupee 5 crore or more
2. **Spending Requirement:** Every company which fulfils any of the above mentioned conditions has to necessarily spent minimum 2 % of average net profit of previous 3 year or from the period of the incorporation (if company is incorporated for less than 3 years)
3. **CSR Committee:** if total CSR obligation of the company is exceeding 50 lakh rupee then company has to mandatorily constitute CSR Committee which shall comprise of
  - i. **3 Director out of 1 which** shall be **independent director** (if company is not required to appoint **independent director**, CSR committee shall comprise of only 2 directors)
  - ii. If **foreign company**, the committee shall comprise of not less than 2 directors out of which 1 shall be **Indian resident**
  - iii. Private company: Not less than 2 director
  - b. If the total CSR obligation of the company is less than 50 lakh rupee then the obligation of the CSR committee shall be done by Board of directors of the company.
4. **Where to Spend the amount:** Company has to spend amount in activities only which are specified in schedule-(VII) of the act & shall give preference to local area first for the activities.
5. **If company not spent the required amount:**
  - a. **If does not relate to on-going project:** Transfer the fund **within 6 months** of end of F.Y. in the fund specified in **schedule VII** of the act.
  - b. **If relates to on-going project:** Transfer the fund to bank account of on-going project within **30 days of end of F.Y.** and spend it within 3 years from the date of transferring amount to the special account.
    - i. If **not spent in 3 years**, transfer the amount to fund specified in **schedule VII** of the act.
6. **Cessation:**
  - a. Rule 3 of the CSR Rules, 2014 specify that every company which ceases to be a company covered under sub-section for the 3 consecutive financial years shall not require to
    - i. Constitute a CSR committee
    - ii. Comply with any provisions related to CSR obligation.
7. **Penalty for non-compliance**
  - a. **Company:** 2 times of amount of obligation or 10 lakh rupees. (**whichever is lower**)
  - b. **Office in default:** 10 % of obligation or 10 lakh rupees (**whichever is lower**)
8. **Impact Assessment Through Independent Agency**
  - a. If CSR obligation on the company is **10 crore rupee or more in preceding 3 F.Y., then it** have to undertake an **impact assessment** of the project having outlays of **rupee 1 crore or more** and having been **competed not less than 1 year** through independent agency.
  - b. Expenditure for having impact assessment through independent agency shall **not exceed 5 % of total CSR expenditure** of that financial year or **Rs. 50 lakh, whichever is lower.**
9. **Other points:**
  - a. Any amount **spent for employees** or amount **spent in foreign country shall not be counted** for the purpose of CSR obligation.

- b. If spent amount **in excess of the obligation** then allowed set-off in **next 3 immediately succeeding financial year**.
- c. Company can fulfil the CSR obligation only through the **section-8 Company** or trust registered **under MCA and not through any other mode**.
- d. CSR policy shall be prepared by the committee and shall be disclosed on the website by it.
- e. Administrative overheads **shall not exceed 5 % of the total CSR expenditure** of the company for the financial year.
- f. The net profit, net-worth and turnover shall be computed only in accordance with the section-198 of the companies act, 2013.
- g. Any surplus arising out of the CSR activity shall not form part of business profit of the company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy

**10. Activities mentioned under Schedule VII:**

- a. Under Schedule VII of the Companies Act, 2013, the following activities are listed on which Corporate Social Responsibility (CSR) can be performed by companies:
  - i. Eradicating extreme hunger and poverty
  - ii. Promotion of education
  - iii. Promoting gender equality and empowering women
  - iv. Reducing child mortality and improving maternal health
  - v. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria, and other diseases
  - vi. Ensuring environmental sustainability
  - vii. Employment enhancing vocational skills
  - viii. Social business projects
  - ix. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women
  - x. The contribution to the National Defence Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Armed Forces veterans, war widows, and their dependents
  - xi. Training to promote rural sports, nationally recognized sports, Paralympic sports, and Olympic sports
  - xii. Contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation
  - xiii. Rural development projects
  - xiv. Slum area development
  - xv. Any other activity as amended from time to time